GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:685
ANSWERED ON:13.05.2005
VALUE ADDED TAX
Saradgi Shri Iqbal Ahmed;Swain Shri M.A. Kharabela

Will the Minister of FINANCE be pleased to state:

(a) details showing the name and number of States that had agreed on the model VAT Act in the meeting of State Finance Ministers held on 18.06.2004;

(b) whether such States had arrived at a common formula;

(c) if so, the details thereof;

(d) whether any deadline has been fixed by the Union Government for implementation of the system all over the country;

(e) if so, details thereof;

(f) steps taken by the Union Government to ensure successful implementation of VAT all over the country at the earliest;

(g) whether VAT implementation will be made by different States retrospectively;

(h) whether Union Government has received any proposal from State Governments to abolish all existing taxes other than VAT to make it a success and if so, the details of such proposal; and

(i) steps taken for successful implementation of VAT to make it beneficial for traders and consumers?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (i): A statement is placed on the Table of the House.

STATEMENT IN RESPECT OF LOK SABHA STARRED QUESTION NO. 685 DATED 13.5.2005 TABLED BY S/SHRI IQBAL AHMED SARADGI AND KHARABELA SWAIN REGARDING VALUE ADDED TAX.

(a) to (i): 20 States/Union Territories have implemented VAT with effect from 1st April, 2005. The State of Haryana has already implemented VAT with effect from 1st April, 2003. Two States viz. Assam and Meghalaya have introduced VAT we.f. 1st May, 2005. Thus, 23 States/ Union Territories have implemented VAT. A table indicating the status of implementation of VAT by States/ Union Territories is annexed. As VAT is a tax intended to replace the State Sales Tax, it is a State subject. The Central Government is only playing the role of a facilitator in this tax reform process jointly undertaken by the States. An Empowered Committee of State Finance Ministers was set up to decide on all issues relating to implementation of State level VAT. The Empowered Committee, which is a representative body of all the States, has finalized the structure and design of the State level VAT. No deadline has been fixed by the Union Government for implementation of the system all over the country and no State has, as yet, indicated willingness to implement VAT retrospectively. Central Government has not received any proposal from State Governments to abolish all existing taxes other than VAT to make it a success. However, as per the decision of Empowered Committee of State Finance Ministers, it is expected that a number of State level taxes on purchase or sale of goods like State sales tax, turnover tax, purchase tax, additional sales tax, surcharge, entry tax (not in lieu of octroi) will be subsumed in VAT. Central Government has provided the necessary financial and technical assistance to the State Governments to ensure successful implementation of VAT.